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ABSTRACT

The American system of financing higher education is highly complex and has long included low tuition, unrestricted appropriations and gifts to institutions, and the use of grants to finance students. Proposals are now being made to raise tuition drastically as one way of meeting increasing costs. This would be a tragic step at a time when efforts are being made to extend the benefits of higher education to millions who were previously excluded. Considerable public agreement exists on the aims of higher education which include universal access to as much higher education as students can handle; the existence of a great variety of institutions and programs; freedom from financial constraints in choosing institutions; academic freedom; efficiency and equity in allocating the costs of higher education; a balanced public budget; and the advancement of civilization. Different emphases will demand different patterns of financing. In general, however, the system of financing should veer toward the free public education model; student aid should be in the form of grants, and should be administered outside the institution. Institutional support should come from a variety of sources and include substantial unrestricted income. Private institutions should receive public funds to keep tuition down. (AF)

Concurrent General Session 1
Monday Morning, March 2

FINANCE AND THE AIMS OF AMERICAN HIGHER EDUCATION*

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My remarks today are a protest against some current proposals for the finance of higher education. I hope my comments will be balanced and objective, but if you detect a note of outrage, you may be right.

The American plan of financing higher education has long included low tuition, unrestricted appropriations and gifts to institutions and the use of grants (or scholarships) in the finance of students. The purposes of these financial arrangements have been to extend higher education ever more widely, and to create independent colleges and universities where ideas could flourish. The result has been a system of higher education which, despite shortcomings, is the envy of the entire world. It has contributed enormously to social and economic progress, and is today the principal hope for solving the great social problems of this country.

But now we hear from all sides, including Washington, proposals to raise tuitions drastically and to finance students by putting them heavily into debt. These proposals are attractive to hard-pressed public officials who would like to remove educational costs from the public budget, and are attractive also to some educators who think they might banish financial worries by shifting the costs to students. These proposals are deceptively simple and plausible. But the trouble is that they are based on a gross misconception of the nature of higher education.

It is anomalous, even tragic, that America would seriously consider abandoning its historic system of educational finance at the very time when it must extend opportunity to millions of hitherto excluded young people and when the country depends on independent colleges and universities as the principal source of values, ideas and techniques needed to regenerate American society.

The present system of financing higher education is admittedly complex, It is financed by local, state, and federal taxes; by earnings on endowments; by voluntary gifts of individuals, companies and foundations; by tax exemptions; by contributions of parents, spouses, and relatives of students; by student earnings; by tuitions; by receipts from the sale of products and services; and by various forms of loans to institutions and to students.

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This diversity of finance is due partly to the complexity of the higher educational system -- to the many kinds of institutions and the varied sponsorship. It is due partly to the historic fact that colleges and universities have been free, and pressed by financial need, to obtain money wherever it could be found. They have been ingenious in discovering sources. The result is a variegated, perhaps a bit tattered, crazy-quilt of financial devices and practices. It is hard to explain this financial system in terms of principles. It has grown up over many years of incremental decisions to meet various needs and problems. But merely because it is complex, it cannot be dismissed as wrong or bad. It may be that improvement should come through further incremental adjustment rather than through radical change as is so often suggested today.

The policy problem before the nation at this time is to modify these complex financial devices in ways that will help attain the several broad objectives we hold for higher education. The problem is urgent because of the vast increases in funds that will be needed in the next decade. 1/ Our conclusions about finance should flow logically from our view of the aims of higher

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In another paper, I have estimated that, at a minimum and with the assumption of constant price levels, the expenditures for educational and general expense will increase from \$13.4 billions in 1968-69 to \$32.8 billions in 1980-81, and that as a percent of GNP these expenditures will increase from 1.5 percent in 1968-69 to 2.4 percent in 1980-81. See "The Financial Need of Higher Education in the 1970's: A Realistic Appraisal," Proceedings of the Academy of Political Science, forthcoming issue.

When I use the term higher education, I refer to all branches of post-secondary education including community colleges, vocational schools, four-year colleges, and universities. And I include the functions of research, scholarship, publication, and public service as well as general, vocational and professional instruction. I view higher education in this country as a unified and coherent system. The functions of the various types of institutions are overlapping, and almost all of them are engaged in producing socially valuable outcomes beyond mere instruction as measured by credit hours. One of the fallacies in much current discussion of educational finance is that it focuses on the costs of undergraduate instruction narrowly conceived, and fails to recognize higher education as a system in which many socially important "products" are produced jointly along with undergraduate instruction.

education. Much of the controversy over finance is due to lack of agreement on these aims or to differences in the weight attached to different aims.

I. The Aims of Higher Education

Let me try to state some of the aims of American higher education which seem to have gained considerable public assent and point out some of their financial implications. 2/

1. Opportunity: Young people, regardless of circumstances, should have access to as much higher education as they can handle. This aim is based on the idea that to widen opportunity will not only benefit individuals but will also enrich the culture by adding to the number of educated persons and foster economic growth by adding to the supply of professional and skilled workers. This goal calls for very large enrollments. Recent evidence suggests that the innate ability to do intellectual work at the college level is much more widely distributed among the population than has previously been believed. This is so because intellectual ability is deeply affected by family income and family background. 3/ Another reason for extending enrollments is that the system of higher education is an efficient device for discovering talent and sorting people according to their interests and abilities. It helps young people find the careers in which they can be most productive and happy. 4/ The goal of extending opportunity has had a profound effect on the system of finance. It explains the traditional emphasis on low tuitions and student financial aid. This goal also has much political steam behind it. Surveys show that families of all income classes are counting on, or at least hoping for, a college education for their children.

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cf. "The Rivlin Report," Toward a Long-range Plan for Federal Financial Support for Higher Education, U.S. Department of Health, Education, and Welfare, January 1969, pp. 3-4.

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For a thorough discussion of these matters, see Robert H. Berls, "Higher Education Opportunity and Achievement in the United States, in Joint Economic Committee, " U.S. Congress, The Economics and Financing of Higher Education in the United States, U.S. Government Printing Office, 1969, pp. 145-204.

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Cf. T.W. Schultz, "Resources for Higher Education: an Economist's View", Journal of Political Economy, May/June 1968, pp. 327-47.

2. Varied Programs. Institutions and instructional programs should be varied to suit persons of different abilities and interests. Only if varied experiences are offered will genuine educational opportunity be available and academic standards in each type of education upheld. The system should include many kinds of vocational training, academic programs, and opportunities for adults and for former drop-outs or flunk-outs. The system as a whole should be fitted to the students rather than the students to the system. The meteoric rise of community colleges^{5/} with their combined academic, vocational, and adult programs and the enormous scope of proprietary education and evidences of the reality of this goal.

3. Student Freedom. Students should be free to choose institutions according to their abilities and their tastes. Financial aid to students, therefore, should come at least in part from sources other than the institutions, and the aid should be designed so that genuine choice exists. Students should also have reasonable geographic mobility -- which may call for the eventual end of non-resident tuitions in state institutions.^{6/} And they should have free choice of major fields according to their abilities. For example, the choice between chemistry and economics, or medicine and law, should not be influenced by relative fees charged or aid granted but only by student interests and aptitudes. Also, programs such as medicine, which are unable to accept all qualified applicants, should be expanded. To carry freedom even further, students in post-secondary education should on the whole be treated as adults, and should be free of unnecessary control, by parents and institutions, over their personal lives. This is, of course, a new and controversial item in the list of freedoms but one that is being increasingly realized among graduate students and older undergraduates. It suggests, in the long run, diminishing financial responsibility of parents and institutions and increasing financial support of students by government. The ultimate in student freedom is, of course, far from realization, and financial realities, as well as conflict of opinion, will prevent its achievement in the near future. Yet the system of higher education appears to be headed toward widening the freedoms of choice for students.

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The number of students in community colleges has doubled in the past five years, and the influence of these institutions is gaining rapidly. See: K. Patricia Cross, "The Quiet Revolution", The Research Reporter, The Center for Research and Development in Higher Education. Berkeley, Vol. IV, No. 3, 1969, pp. 1-4; and The Two-Year College and Its Students. American College Testing Program, Inc., Iowa City, 1969.

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Because geographic mobility is expensive, there should be no areas without higher education or with grossly inferior education. To overcome regional variations in accessibility and quality probably calls for differential federal aid to various sections of the country.

4. Academic Freedom. Colleges and universities should enjoy freedom of thought and expression, and also substantial freedom to choose what shall be taught, what shall be studied, and what research and scholarship to undertake, and what public services to offer with only the most general outside influence.^{7/} The goal of academic freedom calls for substantial amounts of unrestricted funds and diversity in sources of support. Academic freedom is also advanced when the patterns of support and control vary among institutions, so that not all are subject to the same kind of authority or influence. Parenthetically, the question of academic freedom also raises timely issues about the efficacy of local initiative as compared with central planning in higher education.

5. Efficiency. Efficiency is an elusive goal in higher education. The activities of each institution are an amalgam of instruction, research, and public service, all jointly produced. It is extraordinarily hard to calculate the cost assignable to any one program. And the product of these efforts is virtually impossible to measure, except intuitively. Brushing aside the problem of measurement, the argument is sometimes advanced, on the analogy of the private economy, that efficiency would be promoted if each user of a service paid a price equal to the cost of that service. Under this system, students would pay tuition equal to cost of instruction; government agencies and business would pay for research at cost on a contract basis, and users of consulting and other public services would pay a fee to cover cost. Under this system, no one would be tempted to accept instruction or other services unless they were deemed to be worth what they cost, and the college or university would no longer be tempted to offer services except when someone on the outside judged them worth the cost. The college or university would then become a self-supporting enterprise catering for a market. The difficulty with this theory is that the customers, whether they be young men and women, business men or public officials, are not in a strong position to decide the complex issues of what should be taught and what should be studied.^{8/} Moreover, there are vast social benefits from higher education, and it is undoubtedly in the social interest to provide more instruction, research, and public service than individuals or agencies would demand if they were required to pay the full cost. There must be in society at least one agency which has substantial freedom to pursue knowledge in an exploratory way without concern for the immediate results, without knowing what the results may be, and with only the confidence that knowledge is good for its own sake and often has manifold unforeseen consequences. True efficiency from the long-range point of view probably requires that institutions have substantial unrestricted funds with which

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Also, these freedoms should not be abridged from within the university by the actions of administrators, students or faculty members.

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The system of reviewing research proposals by peers, followed by many federal agencies as a basis for research grants, is one useful way to bridge the gap between the outside customers and the universities.

to advance instruction, learning, and public service in ways different from those which would be dictated by the market with its relatively short perspective. For efficiency, we must rely largely on the intuitive judgments of scholars, and they must be given the financial freedom to make choices independently of the market. This freedom carries with it heavy responsibility for colleges or universities to be responsive to the deeper and longer-range interests of society. But there is no alternative to granting this freedom.

Another aspect of efficiency relates to the allocation of resources among institutions and among regions of the country. These resources include bright students, competent faculty, and good facilities. If institutions must compete for these resources in the open market, some institutions and some regions will be left with dregs. The free working of the market will not necessarily achieve a socially desirable distribution of resources. A system of financing may be needed to give each institution and each region a chance for a diverse student body including a reasonable number of bright students, some capable faculty members, and some decent facilities. Statewide or nationwide grants to institutions may be needed, as well as the traditional scholarship system by which institutions can attract superior students.

6. Equity. A goal of increasing public concern is fairness among persons and classes in allocating the costs of higher education, particularly as between taxpayers and donors who represent "society" and the students and their families who are the principal individual beneficiaries. Some economists have been arguing that, with tuition below cost of instruction, low income taxpayers are put in the position of subsidizing upper-income students.

This argument is weak. It suffers from the fallacy of singling out one public service, higher education, and focuses on its effects while ignoring other public services (e.g., social welfare) which have quite different and possibly offsetting effects. This argument also belittles the social benefits of higher education.

The cost of higher education is in three parts: The first is income of the student that is foregone because he chooses to be in college. This is by far the biggest part of the cost. The second is the cost to the student incident to his education, for example, books. The third is the institutional cost of instruction. If we concentrate only on instructional costs, as many people do, then it can be shown that, on the average, students and their families are paying less than one-fifth of the bill which, it is argued, is too small for those who benefit most.

However, when incidental expenses and foregone income are included, students are contributing about three-quarters of the cost of their education (including tuitions). 9 / Three-quarters seems an adequate contribution in view of the substantial social benefits derived from higher education. 10/

7. Balanced Budgets. A pragmatic, but nonetheless influential, goal is to help balance public budgets by keeping the costs of higher education out of public accounts. Governments, both federal and state, are tempted to finance student aid and academic buildings by means of loans which are shifted to the private capital market. This device is of course a subterfuge. It does not eliminate or reduce the social costs of higher education. It only shifts them to another account where they do not affect the public budget. Nevertheless, the goal of technical budget balancing strongly favors credit as a method of financing both students and institutions.

8. Advancement of the Civilization. I conclude my recital of the aims of higher education with the most important goal of all, namely that higher education should preserve and enrich the civilization it serves. For generations, this aim was taken for granted. But recently it is being challenged by those who say that social benefits, aside from advantage to the individual, do not exist or are too nebulous to be seriously considered. Writers on finance often assume implicitly that the system of higher education is a mere factory grinding out credit-hours of instruction which will be converted by students into personal income. The truth is that even higher education's instructional activities, narrowly defined, yield substantial social benefits which are not necessarily harvested by alumni as additional income. The mere presence of large numbers of educated men and women improves society by providing social, political, civic, and intellectual leadership that is enlightened and humane. The home, the church, the government, the community, are all enhanced by the efforts and influence of the college educated. The presence of educated men and women increases the productivity of all labor and capital and has a favorable effect on national economic growth in ways that are not reflected fully in the personal incomes of the educated. 11/ For example, the presence

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See my paper, "Tuition and Student Loans in the Finance of Higher Education," Joint Economic Committee, U.S. Congress, 91st Congress, 2nd Session, U.S. Government Printing Office, 1969 pp. 619-21.

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It has been argued that the individual benefits to students are sufficient that they should bear the whole cost, and that the social benefits should become a kind of social dividend financed by the students.

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Edward F. Denison, The Sources of Economic Growth in the United States, Committee for Economic Development, New York, 1962, pp. 251-3.

of educated men and women results in the discovery and diffusion of new ideas, new technology, and new ways of doing things. Moreover, college graduates man many professions in which the returns are below earnings in comparable occupations. These include teaching, the ministry, social work, and public service. The point is that the instructional activities of higher education contribute toward a better society in many ways that do not necessarily add to the incomes of their alumni.

But institutions of higher education are not merely engaged in instruction, as important and as socially beneficial as that function may be. They also serve as centers of learning with many cultural, political, and economic influences that radiate out to society. Colleges and universities are the foundations of our civilization. They are the repository and guardian of accumulated knowledge and wisdom; they are a center for the advancement of fresh ideas and new interpretations of old values; they are the main source of new science and technology; they are centers of aesthetic, moral, and social criticism; they are major patrons of the arts and literature; they are of critical importance in advancing the health and safety of the nation; and they provide a great pool of talent that engages in study and evaluation on a multitude of social problems.

All of these things are accomplished jointly with instruction. To be successful in instruction, an institution cannot avoid being a center of learning. The services to students are invariably linked with the services to society. This is true not only of the great national universities with their vast research and service activities but also of small colleges and perhaps especially of community colleges. Each institution serves in its own way as a center of learning and a pool of talent with influence radiating to the outside community. It is a narrow and demeaning misconception to regard institutions of higher education as merely places of instruction, or to assume that the role of instruction can be separated from the role of center of learning. In a sense, instruction is a by-product of a center of learning rather than the center of learning a by-product of instruction.^{12/}

I have dwelt at perhaps excessive length on the matter of social benefits, because of the rampant misconceptions about the social role of higher education -- misconceptions that seem to be especially prevalent among economists and budget officers and which are being used to justify the shifting of an excessive part of higher educational costs to students.

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There are of course differences among institutions in relative social and individual benefits. I suspect that those institutions which rate low on the scale of social benefits also rate low on the scale of individual benefits. An institution cannot succeed as a place of instruction unless it is also a center of learning. If it is a center of learning it will inevitably confer great benefits on society aside from the enhanced earning power of its students.

II. Financial Implications of the Several Goals

So much for the recital of the aims of higher education. Clearly, these eight aims are not all mutually consistent. They certainly do not all lead to the same system of finance. For example if emphasis is placed on extending enrollment and providing varied institutions to accommodate the widest possible range of persons, and if the social benefits of higher education are highly valued, the required plan of finance is low tuitions, primary use of grants in the finance of students, and solid general support of institutions by government and private donors. Or if emphasis is placed on the private benefits from higher education, and on the goals of efficiency (in terms of market criteria), equity, and "balanced" public budgets, then the recommended plan of finance will be high tuitions, heavy use of loans in the finance of students, and limited general support of institutions by government and donors. If the emphasis is put on freedom of choice and adult status for students, public support to higher education will be funneled to institutions via grants or loans to students, and tuitions will become a major source of income to institutions. If emphasis is placed on institutional autonomy and academic freedom, there will be large unrestricted funds available to institutions and diverse sources of support without any one source dominating the higher educational system.

The complexity of financing higher education is due to the fact that there are many goals, not all consistent, and that there are differences of opinion on the relative weights to be assigned the various goals. No simplistic solution will reconcile all the conflicting aims. That is why the system's financing is complex and probably must remain so. And that is why changes in the system should be made incrementally and not by drastic overhaul. My remarks in no sense suggest that there should be no change.

III. Alternative Financial Patterns

There are three basic patterns for the finance of higher education. I shall call them full-cost pricing, free-public education, and a conglomerate.

With full-cost-pricing, each student would be charged a tuition to cover the cost of instruction in his particular program and he would also be charged prices for the use of auxiliary enterprises. Also, if the logic were followed, activities such as research and public service would be financed by user charges -- sometimes in the form of contracts with government or business. The institutions would then be self-supporting and would operate as any private business would do. Under this system, students who could not afford to pay the entire cost, including living expenses and incidentals as well as tuition, would receive grants or loans from public or private sources to cover their deficits. Many advocates of this plan believe that student aid should be in the form of loans to be repaid over a lifetime with the amount of repayment contingent upon income.^{13/}

Under the free-public-education model, instruction would be provided without cost to students (though auxiliary enterprises would be charged for as at present). Presumably, also research and public service would be provided largely without cost to users as at present. The institutions would be financed mainly from public appropriations and private gifts. The finance and operation of colleges and universities would then be like that of public secondary education. Student aid,

^{13/}For a discussion of this plan, see Milton Friedman, "The Higher Schooling in America," The Public Interest, Spring 1968, pp. 108-12. One variant would be to finance instruction by full-cost pricing but to finance other activities from public appropriations or gifts.

when needed to meet living costs, would be provided either through grants, loans, or a combination. Many proponents of the free-public-education model favor emphasis on grants.

The third or conglomerate model is of course what we now have. The cost is covered partly by tuitions and partly by public appropriations and private gifts and student aid is a mixture of loans and grants -- some of the latter tied to work programs. The underlying issue is whether the conglomerate system should veer toward the full-cost model or toward the free-public-education model, and in either case whether student financial aid should be mainly in the form of grants or loans.

IV. Conclusion

I shall conclude with a brief sketch of my own views on financial policy. I rate highly the goals of wide-open opportunity, freedom of student choice, academic freedom, and the college or university as a center of learning yielding important social benefits. These aims lead me to the following recommendations which are conceived as incremental changes to be implemented over time.

1. Colleges and universities should charge relatively low tuitions and much of their research and other services should be financed in large part with public appropriations and private gifts. I would argue that the system of finance should veer toward the free-public-education model rather than toward the full-cost model. ^{14/}

2. Over a period of time, the age at which students are emancipated from their families should be lowered to perhaps 20 or 21. At this age, the responsibility of parents for the finance of students should cease and the means test in connection with student aid should be abolished. This proposal merely suggests extending the precedent set by the G.I. Bill and by many graduate fellowships. This of course would not deny the right of parents to assist their emancipated children if they wished.

^{14/} I have developed the arguments for this position in greater detail elsewhere. See "Tuition and Loans in the Finance of Higher Education," op. cit.; "The Financing of Higher Education: Issues and Prospects," in The Future Academic Community, American Council of Education, Washington, 1969, pp. 69-83; The Finance of Higher Education, Carnegie Commission on Higher Education, Berkeley, 1968. Those who oppose the free-public-education concept and lean to the full-cost concept are chiefly concerned about the fact that this system involves a public subsidy to upper income groups. Most college students either are, or will be, in the upper income brackets while taxes are paid by all income classes. I believe this view underrates the broad social consequences of higher education for all classes, the substantial contributions of students in the form of foregone income, and the importance of encouraging open opportunity. More significant, in considering the equity problem, it is inappropriate to single out higher education from among all public goods and focus on its redistributive affects. One must consider the distributive consequences of all public goods (elementary education, social welfare, health, conservatism, labor programs, national defense, etc.) and all taxes (federal, state, and local) to determine the redistributive consequences of the body politic. To select out and analyze the distributive consequences of any one item of expenditure or any one sector of the tax system does not prove anything. It is sometimes argued that in the interest of equity young people who do not attend college should receive a subsidy for personal advancement equal to that received by college students. This proposal has some merit. The subsidy could be used for training, to help start a business, or for other self-developmental activities.

3. Student financial aid should be basically in the form of grants rather than loans. Grants should not be lavish.^{15/} Grants should be designed to get students to and through whatever higher education they wish to pursue from the freshman year to the Ph.D. or M.D., but without frills. Loans should be supplemental to provide flexibility, to ease budgets, to meet emergencies, and to open opportunity. But no student who is willing to work a reasonable amount and to live modestly should have to go deeply into debt to secure an education. Heavy use of loans is an impediment to opportunity; it results in serious inequities between upper and lower income groups, and it serves no social purpose because the economic costs of higher education cannot be shifted to the future anyway. Such loans as are made -- I think the total amount would be sizeable -- should allow repayments over long periods, possibly with the amount repaid to be contingent on earnings. Some form of public or quasi-public bank for the finance of student loans should be created, and it should charge an interest rate that would cover both operating and capital costs.

4. The basic program of student aid should be administered outside the institutions to remove an element of institutional paternalism, to reduce financial influences in choice of institutions, to relieve institutions of an onerous financial burden.^{16/}

5. In the interest of academic freedom, the income of institutions should be derived from varied sources and should include substantial unrestricted income. The full-cost model is weak in that institutional income would come predominantly from students and other users of services who would then be able to wield enormous power. A system that was toward the free-public-education model, on the other hand, would provide substantial unrestricted funds and diversity of sources and make possible institutional self-direction. A conglomerate arrangement -- with income deriving from many sources -- has virtues even if it may seem untidy.^{17/}

^{15/}Grants can often be associated with work as in the current work-study program. Work should not be excessive so as to interfere unduly with studies and student participation in college activities. It should so far as possible be of a type that will contribute to the student's education.

^{16/}A modest scholarship program might be useful, however, to assure an equitable distribution of talent.

^{17/}One serious danger of varied sources of institutional income is that no source will feel ultimate responsibility for the advancement of the institutions. When states were the principal source of support for public colleges and universities private and donors for private institutions, clear responsibility existed. As many federal agencies, foundations and corporations entered the finance of higher education, responsibility tended to be diffused. Today there is danger that increases in effort of any one source will tend to reduce the effort of other sources. The problem of responsibility is a serious one. In my judgment, the federal government is best fitted to be the ultimately responsible agency, and will need to design its aid so that incentives are provided for increasing support from other sources. I incline to the view, however, that the states are well qualified to administer public higher education and aid to private institutions. Some federal aid might be in the form of grants to the states, some unrestricted and some perhaps earmarked for higher education.

6. Private institutions should receive public funds to assist them in holding down tuitions and in carrying out research and other services having social benefits. These funds might come from the states, the federal government, or both. The funds might take a number of forms. I would favor a combination of grants to students to help offset high tuitions in private colleges and grants to private institutions based on increases in enrollment and in cost per student. Useful precedents have been set in New York, Pennsylvania, Iowa, and other states. Proposals are being considered in many other states, including California.

My final word is one of vigorous opposition to the idea, so widely bandied about these days, that colleges and universities should be operated like commercial enterprises -- selling their instruction to students, their research on contract to government and business, their public services in the market. The result would be institutions without autonomy and without the inner direction of a community of scholars. Colleges and universities would be subservient to every whim of the customers. If young students were among the customers, the power they would exercise would be awesome. Society has plenty of proprietary schools, and consulting, and R & D organizations. But it has only one inner-directed center of learning, namely, the non-profit college or university. The first step in the destruction of higher education would be to put it into the arena of commerce. Moreover, at a time when we are trying to bring millions of minority and poor people into the mainstream of American society, it would seem perverse to raise the price of higher education and to offer it only to those willing to go heavily into debt.

APPENDIX ON THE SOCIAL BENEFITS OF HIGHER EDUCATION

The following outline is provided to define specifically some of the benefits from higher education which accrue to society beyond those which are enjoyed exclusively by individual alumni in the form of personal income or personal satisfactions.

I. Social benefits from instruction

1. Improving the allocation of labor by helping students to find careers that match their aptitudes and interests -- the sorting function.
2. Improving citizenship. Educated people are better informed, more conscientious, and more active than uneducated.
3. Reducing crime. Crime rates among the educated are low.
4. Providing volunteer social, political, civic, and intellectual leadership for a myriad of organizations such as Boy Scouts, PTA, churches, lodges, artistic organizations, school boards, hospital boards auxiliaries, cooperatives, labor unions, professional societies, public commissions, etc. An enormous amount of volunteer or minimally compensated work is done by educated people.
5. Providing millions of persons who enter professions having compensations below rates in comparable occupations, e.g. teachers, ministers, social workers, nurses, and public officials. Many professional occupations pay lower wages than occupations requiring no college education.
6. Improving the home care and training of children.

7. Providing a large corps of persons who can bring humane values and broad social outlook to government, business and other practical affairs.
8. Enhancing manners and refinement of conduct and beauty of surroundings and thus adding to the graciousness and reducing the tensions of social intercourse.
9. Providing the leadership in charting new courses for society. For example, the current drive to improve the environment originated among the educated group and is now spreading to the whole population and is thus becoming politically feasible.
10. Speeding the acceptance and diffusion of new technology and new ideas, and new ways of doing things.
11. Contributing many new ideas which improve business or governmental efficiency but which are not patentable, or the advantages of which are quickly eroded by imitation.
12. Providing a great reservoir of technical skill and versatile leadership which is the base of national military power.

Note: It is perhaps immodest for one who is a product of the higher educational system to extol the virtues of his own group. However, at a time when the social benefits from higher education are being doubted or denied, it seems necessary to spell out these benefits. There is no intention of claiming perfection for college-educated people. They are human. Some are narrow, some selfish, some ignorant, some dishonest, some immoral. Moreover, some of their alleged good works are undertaken for selfish reasons or for personal gratification. Nevertheless, it cannot be denied that as a group they contribute to society enormously in ways that do not result in personal compensation.

II. Social benefits as a center of research, scholarship, and criticism.

It would seem unnecessary to belabor the social benefits from these activities. Through research, the colleges and universities provide knowledge which is regarded as a good in itself and they build the foundation of our technology (broadly defined); through scholarship, they preserve the cultural heritage and interpret it to the present, discover values and meanings, and distill wisdom out of past human experiences; through criticism, they present ideas of use in shaping the future. Through these activities, which are complementary to instruction, colleges and university contribute to society far more than their cost.

Who knows the value of keeping Shakespeare alive, of Veblen's critiques of American society, of developing the scientific knowledge underlying hybrid seed corn, of discovering DNA, or of inventing the electronic computer?

III. Social benefits as a versatile pool of talent.

Colleges and universities provide a pool of talent available to society for a wide variety of problems as they emerge, and available in emergencies. The standby value of this pool of talent must be enormous.

IV. Social benefits as patron of the arts.

Colleges and universities are the principal patrons and promoters of the arts, both by employing artists, and staging the performing arts, and by educating oncoming generations to appreciate the arts. Most of the artistic activity of the society occurs on campuses or radiates out from them.

V. Social benefits from the Community College.

The Community College is often thought of as strictly an instructional center having no function but to educate and train young people. As such it has important social benefits. But it too provides -- or should provide -- benefits that flow from its position as a center of learning. It is a cultural center for its community, it is a patron of the arts, a center of discussion, a place for individual consultation and guidance, a humane influence, and a pool of talent to help with community problems. A community college is of great value to a community aside from the credit hours of instruction it generates.